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SUBJECT: CONSTITUTIONAL REFERENDUM: WINNERS AND LOSERS

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Classified By: POLITICAL COUNSELOR ROBERT DOWNES,
REASON 1.4 (D)

11. (C) Summary. Venezuelan democracy is the big winner after voters rejected President Chavez' proposed anti-democratic changes to the 1999 Constitution on December 2. There are still few real checks on Chavez' power, but Chavez will be unable to legally impose much of his desired elements of a socialist state under the existing constitution. The student movement made important contributions to the "No" victory and has helped re-energize democratic opposition to the Venezuelan president. Participatory opposition parties and their young leaders, the small left-wing party Podemos, and former Defense Minister Baduel all get a boost from the "No" win. Despite lingering criticism, the National Electoral Council (CNE) appears to have acquitted itself reasonably well and, despite persistent opposition skepticism, ratified a government defeat.

12. (C) As for losers, Chavez' myth of electoral invincibility is broken. How big a political setback Chavez' first defeat at the polls depends in large part on how the Venezuelan president reacts -- or overreacts -- in the coming weeks. Chavez himself concedes that Venezuelans are not yet ready for his ill-defined "21st Century Socialism," and he and his inner circle apparently will need to repackage a political and economic model that is out of step with the majority of democratically minded and capitalistic Venezuelans. Chavez' new single pro-government party, the PSUV, failed to mobilize Chavez' extensive base and contributed to fractures within Chavismo. Finger-pointing among Chavez' supporters has already begun -- below the presidency. Vice President Jorge Rodriguez and numerous PSUV state and local leaders are being heavily criticized in the BRV world.
End Summary.

Winners

Venezuelan Democracy

13. (C) By voting down President Chavez' sweeping, proposed changes to the 1999 Constitution, Venezuelan voters stopped (at least for the near term) what would have been a devastating setback to the country's endangered democracy. Voting took place without any major violent incidents and only scattered irregularities. At this time, Chavez expected to be able to run for president indefinitely, to concentrate

even more power in his hands at the expense of state and local governments, to assume draconian emergency powers, assume more authority to seize private property, and personally manage the country's foreign reserves. He cannot legally extend his time in the presidency or go as far in the aforementioned areas without making another run at constitutional reform. Chavez still has wide authority to issue decree-laws in twelve broad areas under the Enabling Law until August 2008, but not nearly as much unchecked authority, particularly in the economic sphere, as he would have had, had the public approved of his constitutional package.

The Student Movement

¶4. (C) University students provided the opposition with renewed street power, much-needed credibility, and electoral monitors who helped safeguard the "No" victory. Although the student movement did not formally embrace the "No" campaign fully (vice abstentionism) until late in the campaign, it appears to have convinced voters who may otherwise have abstained to go to the polls. According to National Electoral Council (CNE) data, the "No" campaign did exceptionally well in major urban areas, most of which are home to public and/or private universities. Media savvy student leaders Yon Goicochea, Freddy Guevara, and Stalin Gonzalez, in particular, may one day emerge as nationally prominent politicians. The ideologically diverse student movement faces the medium to long-term challenge of engaging even more in politics while still protecting their compelling public image.

The Constructive Opposition

¶5. (C) The "No" victory should vindicate the position of Un

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Nuevo Tiempo (UNT), Primero Justicia (PJ), the Christian Democrats (COPEI) and other smaller, constructive opposition parties who from the beginning lobbied Venezuelans to participate in the election and vote "No." Hard-line opposition parties like Accion Democratica (AD), Alianza Bravo Pueblo (ABP), and the National Resistance Command (CNR) abandoned abstentionism only very late in the campaign. If the "Yes" camp had won, the traditional abstentionist parties reportedly planned to try to steer the opposition toward more radical confrontational politics. The collective opposition did a good, even if late-in-the-campaign, job of fielding trained electoral monitors. Nevertheless, all the opposition parties still have a long way to go in terms of reconstructing their bases, appealing to poor Venezuelans, and mobilizing voters. Turnout in many opposition strongholds was actually lighter than in the 2006 presidential election, according to CNE figures.

Emerging Opposition Leaders

¶6. (C) Young political leaders like Chacao Mayor Leopoldo Lopez of UNT and Baruta Mayor Henrique Capriles Radonski of PJ not only saved their jobs (the reform would have allowed Chavez to make Caracas a federal city with an appointed mayor), but also reinforced their image as young, emerging national leaders. Both mayors, as well as the youthful COPEI Secretary General Ignacio Planas, served as key

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intermediaries between opposition parties and the student movement. The government will not make it easy for them, however. Lopez still faces a legal prohibition on running for elected office for several years after his mayoral term expires in 2008 and the government is still pursuing politically-motivated criminal charges against Capriles related to his efforts to mediate during a protest in front

of the Cuban Embassy in April 2002 (Capriles has already been acquitted once).

Former Defense Minister Baduel

17. (C) Former Defense Minister Raul Isaias Baduel also provided the "No" camp with additional credibility within Chavismo. He articulately highlighted how Chavez' proposed changes to the constitution would concentrate too much power in the executive. On election night, the combined opposition selected Baduel to be one of three principal spokespersons, and opposition leaders believe, albeit perhaps overly optimistically, that Baduel's lingering influence in military circles contributed to Chavez' decision to accept electoral defeat. During the tense hours leading up to the CNE's announcement of preliminary results, Baduel spoke clearly and forcefully on the need to release the results promptly. The alleged, and still unexplained, vehicular attack on Baduel on election day may enhance his reputation. Prior to the referendum, conventional wisdom had it that Baduel had no real political future. After, most observers believe Baduel is someone to watch, perhaps initially as a gubernatorial candidate next October.

Podemos

18. (C) This small pro-government party proved that there can still be political life even after falling out of Chavez' favor. Chavez lambasted Podemos party leaders after they declined to merge with his single pro-government party, the United Socialist Party of Venezuela (PSUV), earlier this year. Podemos bravely and articulately fought against the constitutional reform in the National Assembly. According to opposition leaders, Podemos Secretary General Ismael Garcia injected optimism and insights into Chavismo during the short "No" campaign. The party's rank-and-file members helped fill opposition gaps as election monitors. Podemos still has a long-term struggle ahead carving out a "third way" in Venezuelan politics, and in fact, the "No" camp narrowly lost in both states with Podemos governors. In the short term, Podemos has surprisingly remained politically relevant.

The National Electoral Council (CNE)

19. (C) The CNE managed to hold a relatively smooth nationwide referendum on short notice (Chavez announced his initial proposal on August 15, and the National Assembly passed the reform package on November 2). Embassy observers, who visited approximately one percent of polling stations,

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perceived that CNE officials, the selected poll workers, and the armed forces providing security generally followed established electoral procedures. Embassy observers reported only scattered irregularities or technical problems. Before the "No" victory, many Venezuelans believed the CNE would never ratify a Chavez defeat. The CNE was still widely criticized for delaying the release of its preliminary results until the early morning hours on December 3. CNE Rector Vicente Diaz told reporters December 4 that local transmission delays caused the overall delay in announcing results. However, in his concession speech Chavez said he debated with himself for several hours whether to allow the CNE to release the results or wait until 100 percent of the returns were in, a pointed reminder that the CNE is far from autonomous.

Losers

President Chavez -- For Now

¶10. (C) Chavez still retains much of his overall popularity. The extent of the personal political damage is uncertain and depends in large part on how Chavez reacts -- or overreacts -- in the coming weeks. Nevertheless, the Venezuelan president has taken a significant hit. The myth of Chavez' electoral invincibility, the product of 11 straight victories in national and regional elections, has been broken. Moreover, Chavez cannot accelerate his Bolivarian revolution to the extent he would have liked within the confines of the unchanged 1999 Constitution. In addition, we expect Chavez will also seek to blame his first electoral defeat on many of his closest followers. A major government purge, however, is only likely to exacerbate existing fissures within Chavismo. Chavez is trying to position himself domestically and internationally as a "true democrat," particularly in his post-referendum speech accepting the results. Such efforts, however, belie the overwhelmingly authoritarian constitutional package which voters rejected and for which most governments harbored reservations. His more recent statements -- including calling the "No" camp's win a "sh-tty victory" - are also likely to reduce any international points he scored in his concession speech.

21st Century Socialism -----

¶11. (C) The "No" camp succeeded in planting widespread doubts and concerns about Chavez' ill-defined goal of constructing "21st century socialism" in Venezuela during the referendum campaign. The "No" camp did surprisingly well in many Chavez strongholds. During the campaign, the "Yes" camp was particularly on the defensive regarding the proposal to weaken private property protections. In the wake of defeat, some government ministers are already talking about the need to make the revolution more "concrete," suggesting further government populist spending binges are in the offing. For many voters, the fruits of government interference in the economy may have already been all too apparent with rolling shortages of milk, eggs, chicken, coffee, sugar, and other staples.

Jorge Rodriguez -----

¶12. (C) Vice President Jorge Rodriguez served as the overall coordinator of the "Yes" campaign and there is widespread speculation that Chavez will fire him as VP in his next cabinet shuffle. Rodriguez was given the dubious honor of holding a 9:00 p.m. "Yes" campaign press conference after polls closed to announce a "tight race." At that time, both government and opposition officials were aware that the "No" camp was going to win the referendum, but Rodriguez could not refer to any results absent a CNE announcement. His crestfallen face, however, told the story. In his concession speech, Chavez thanked the four million "Yes" voters, but made no mention of his "Zamora Command" referendum team.

United Socialist Party of Venezuela (PSUV) -----

¶13. (C) Chavez' new single pro-government party, still in formation, has suffered from internal division and chronic organizational problems. Chavez asked local PSUV "battalions" to appoint ward captains ("batazos") to make

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sure pro-Chavez voters went to the polls. Despite party leaders claims that the PSUV has 5.6 million members, the PSUV failed to mobilize Chavez' base in its first electoral contest, polling only a little more than four million votes. Chavez' previous party, the Fifth Republic Movement (MVR), was a much more impressive electoral machine. Given that the reform would have concentrated more power in the central government at the expense of state and municipal governments, regional PSUV leaders appear to have provided only

half-hearted support for the "Yes" campaign. PSUV battalion leaders are slated to attend a much-delayed founding party congress in January and instead of building on a "Yes" victory, PSUV leaders are calling on mid-tier party leaders to reflect on the recent defeat and engage in "revolutionary self-criticism."

Pro-Chavez Governors and Mayors

¶14. (C) Given that public criticism of the president is taboo within Chavismo, finger-pointing is increasingly focused on state and local leaders. According to preliminary CNE figures, the "No" camp won in eight of Venezuela's 23 states and in Caracas. PSUV governors are present in six of those eight states -- Anzoategui, Carabobo, Lara, Merida, Miranda, Tachira, and Yaracuy and are being accused within Chavista circles of failing to mobilize Chavez' extensive base. Carabobo Governor Luis Felipe Acosta and Lara Governor Luis Reyes Reyes have borne the brunt of much of the post referendum scapegoating. PSUV mayors of big cities where the "No" won, such as Juan Barreto and Freddy Bernal in Caracas and Gian Carlo Di Martino in Maracaibo, are also rumored to be on the hot seat.

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